

INFORMATION REPORT

COUNTRY Germany (Russian Zone)

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SUBJECT Establishment of People's Firms in Saxony-Anhalt

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(LISTED BELOW) A, B, C, D, E, F, G

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SUPPLEMENT TO REPORT NO.

- 25X1X 1. The course of expropriation in Saxony-Anhalt and the disposition of expropriated property can be shown through the following documents:
- Decree S 9/48, termination of activity of the sequestration commissions (Attachment A).
 - List of industrial property expropriated in Land Saxony-Anhalt (Attachment B).
 - List of property in Land Saxony-Anhalt designated as people-owned (Attachment C).
 - Order No. 64 of SMA, 17 April 1948 (published in Tägliche Rundschau on 18 April 1948 and in Zentralverordnungsblatt on 21 May 1948).
 - Directive 1 and Directive 2 for execution of Order No. 64 (Attachment D).
 - Order No. 76 of SMA, on founding of combines of people-owned firms and instructions for their legal registration (published in Zentralverordnungsblatt on 21 May 1948).
 - Minutes of a conference of DWK Industry, with Minister Selbmann's oral instructions to representatives of people-owned firms (Attachment E).
 - Decree S 26/48, auditing and trust organization for the Russian Zone, and Decree S 27/48, functions of the Committee for Security of People's Property (Attachment F).
 - Decree S 33/48, regulation of financial management of people-owned firms, (Attachment G).
2. After the Landtag, at the instigation of the bourgeois parties, appointed a committee to investigate expropriation claims, SMA Halle so encroached on the committee rights that it was put out of action. The Land government, in direct opposition to the minister president's resolve not to approve any more expropriations, announced in March 1948 a new series of expropriations suggested by the German Central Commission for Sequestration and Requisitioning.

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This movement actually occurred after termination of expropriations had been agreed upon. (The foregoing events were discussed in detail in a previous report. [REDACTED] 25X1A

3. On 31 March 1948, the Secretariat of DWK asked SMA Germany to confirm the expropriation list submitted by the German Central Commission after the decree of the Land governments and to terminate expropriation. By Decree S 9/48 of 31 March, all sequestration proceedings under Order 124 were to be concluded by 1 April 1948. All those concerning non-industrial property by 15 April 1948. State governments were ordered to have all expropriated property listed in official registers as belonging to the people (Volkseigene) by 15 July 1948. (Attachment A).
4. In Saxony-Anhalt, the entire number of firms originally expropriated was 2,064. To these were added 12 firms from a special sequestration list (made up on Russian initiative and reserved for special purposes). Five foreign and ten German firms which had been erroneously included were removed (Attachment B).
5. From the expropriated firms in this list and others sequestered under special laws (such as that dealing with exploitation of mineral wealth), a list of firms for administration by the zone was made up in Berlin, without reference to the Land government. [REDACTED] the complete short-circuiting of the states in this matter and the flouting of usual constitutional procedures such as Landtag approval caused much bad feeling towards SMA in the Russian Zone states. The firms in whose direct zonal administration DWK or the USSR was interested included production and other enterprises whose sales coverages exceeded one city or county; firms concerned with raw materials or basic production, and important export firms.
6. In Saxony-Anhalt, the zonal list included the entire coal directorate, with 131 firms; the Prevag (power supply), with 45; and the remaining firms, about 90 in all, of the Industrie Werke. Land officials felt that the DWK had developed a special appetite for firms in Saxony-Anhalt, and that the taste was pandered to by Heller and Dr. Fritze, the IW directors. About 130 IW firms were also transferred to communities and community combines, and other firm changes such as mergers were expected, leaving the final number of IW firms only about 250. These were to be turned over for direct special administration to a new Land service, which was still in process of formation. (See Attachment C for the list of firms transferred to the zone. Handling of foreign-owned property is discussed in a separate report, [REDACTED])
7. The two directives attached to Order No. 64 of 17 April 1948 changed the classification of expropriated property from "state-owned" (Landeseigene) to "people-owned" (Volkseigene), and changes to this effect were ordered made in the state Property Registers (Attachment D). According to later instructions, the new registration had to be accomplished within five days, and official notification of it had to be issued in two. [REDACTED] the period was so short that in some cases it had already elapsed before the announcement was public. German officials question the legal validity of this type of action, on the grounds that no such legal entity as "the people" exists or can be defined. The concept of "people's property" superseded the original Russian plan under which the states were to hold expropriated firms as state property and lease them to the new combines. [REDACTED] it is only a ruse to make the workers believe they have received rights and powers which actually apply only to firm officials.
8. Under SMA Orders 64 and 76, expropriated firms were formed into people-owned combines (Vereinigung) under the direction of a legal representative (Rechtssträger). [REDACTED] Comment: A careful distinction is made in German between the Rechtssträger,

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apparently a new term, who represents the people in administering the combines, and the Treuhänder or trustee, the name applied to administrators of state-owned expropriated firms.) The director of the people-owned firm appears at the same time as chairman of the administrative council and has the sole responsibility for the firms in the combine (Attachment E).

9. German officials felt that the formation of combines was an important step in the integration of Russian Zone economy into that of the USSR. They cite Decree S 32/48 of the Secretariat of DWK, 5 May 1948, according to which people-owned firms are placed directly under DWK authority (Attachment F). Along with this, the state regulation of auditing and the holding of lists of combines by DWK exclusively make it plain that a completely centralized control of economic life is actually in effect in the Russian Zone. The two-year plan only gave the formal outward recognition to an already accomplished fact. [REDACTED] 25X1X
Decree S 33/48 on financial management of people-owned firms (Attachment G) is regarded by the Finance Ministry of Saxony-Anhalt as an adaptation of German financial systems and bookkeeping to Moscow arrangements.

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